



| UNCOVERING THE RELATIONSHIP BETWEEN TRANSFORMATION AND PROCESS MANAGEMENT

THE BIG PICTURE

Organizations seem to have everything to gain and almost nothing to lose by integrating their transformation and process management initiatives. Doing so will naturally create visibility and transparency that will deliver improved efficiency, better customer experiences, and lay the groundwork for future transformation efforts. Moreover, successful integration efforts not only deliver benefits beyond their respective initiatives, but also increase the impact of the initiatives themselves.



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1 | INTRODUCTION

I have been studying and researching transformation for over a decade now. I began focusing on the transformation of IT as I saw that the world was changing for IT leaders and they were struggling to adapt.

On a speaking tour through New Zealand six years ago, I was asked to speak at an event of non-IT executives. That talk is what led me to shift my energy to studying what we now call digital transformation — and it's been my focus ever since.

But long before my work around IT and digital transformation, I was a process guy.

Twenty years ago, I ran IT operations for a billion dollar healthcare company and became enamored with the power of process management to drive efficiency and deliver business results.

Given my fairly extensive background in both transformation and process management, it seemed that the time had come to delve into the relationship between them. Moreover, as I spoke to enterprise leaders, it became increasingly clear that the role of these two domains were evolving within the enterprise and were potentially becoming symbiotic.

My team and I, therefore, set out to conduct qualitative research by talking to enterprise leaders at some of the largest companies in the world, including:

- One of the largest airports in the world
- A globally diversified electronics company
- An international bank
- A multinational communications company

Our goal was to answer a straightforward question:

Is there a relationship between process management and transformation (business and digital) and, if so, what is the impact they have on one another when applied within an enterprise?



Key Findings

- On their own, both digital transformation and process management efforts are seeing mixed results
- There is a definitive, positive relationship between digital or business transformation and the discipline of process management, however, enterprises are collecting very little quantitative data on its impact
- In addition to expected benefits such as transparency and efficiency, the integration of transformation and process management efforts can deliver direct benefits to the customer experience and can improve an organization's overall transformational capabilities
- The bringing together of cross-functional teams was the single greatest enabler of positive impact
- The formality of the relationship was not critical, but executive relationships and management support were essential to realizing a positive outcome
- Resistance to the integration of process and transformational domains was common, but also short-lived

THE RELATIONSHIP BETWEEN PROCESS AND TRANSFORMATION

The starting point for our research was to understand the current state of the two disciplines independently. After all, if there are no gaps in any given domain, it is likely that there is little benefit to be had by integrating it with some other domain.

Additionally, both digital transformation and process management have been active areas of engagement within enterprises for many years, so it was important to understand the baseline relationship that already existed between them.

We primarily conducted this first stage of research using evidence-based research of secondary sources. However, our primary research interviews validated that while both disciplines are well established, they have been only loosely related or integrated in most organizations. This has only recently begun to change.

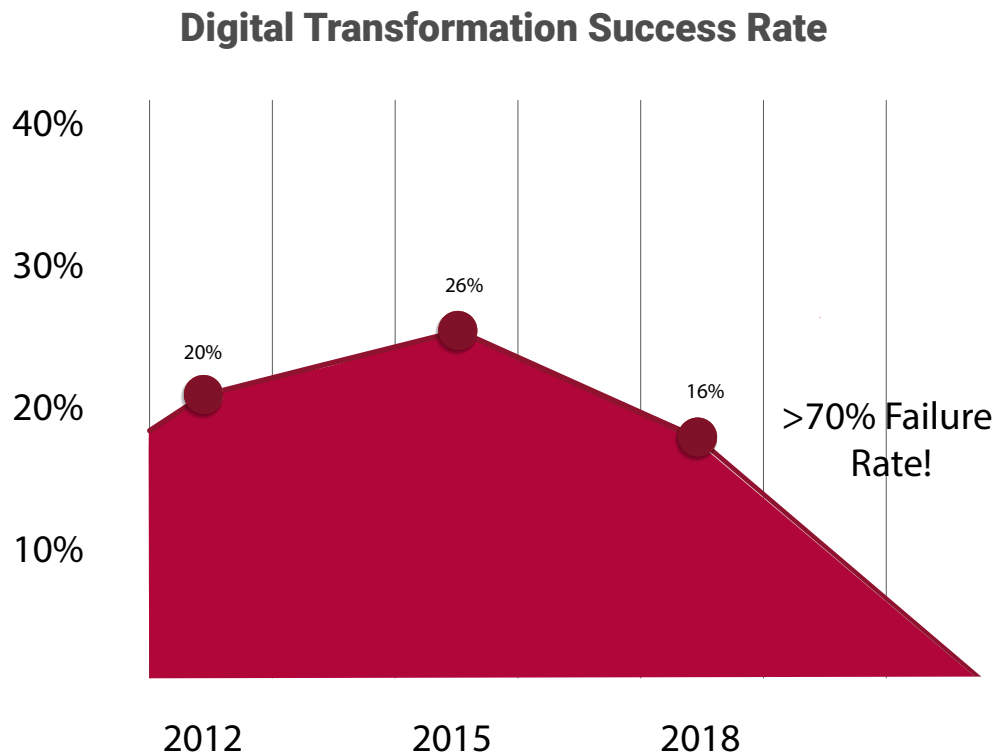
THE STATE OF DIGITAL TRANSFORMATION

We first evaluated the current state of digital transformation efforts within the enterprise. We found a number of studies by other analyst firms and consulting firms that all indicated that the majority of digital transformation efforts have failed to deliver expected results.

One of the more salient pieces of data came from a series of studies which the global consulting firm, McKinsey, conducted over a six year period from 2012 through 2018. In these recurring studies, the firm found that consistently less than 30% of digital transformation efforts were successful.

Or put another way, greater than 70% of digital transformation efforts failed.

More poignantly, however, was this alarming datapoint: the rate of success is decreasing.



THE STATE OF PROCESS MANAGEMENT

While Process Management professionals may have hoped that the fate of digital transformation efforts would put them in a more positive light, they would be mistaken.

What was most striking in our search of secondary research sources around process management success was the uniformity of which industry experts likewise cited a 70% failure rate of enterprise process management efforts.

However, unlike digital transformation efforts, there was little quantitative data to support this failure rate — it is merely accepted as an undisputed fact. In an interview for The Process Excellence Network, Nigel Clements of the Deming Forum stated, “In my experience [the failure rate] is, indeed, that high.”

The net result of our initial research was that process and digital transformation efforts have not been significantly integrated up to this point and that, on their own, each is often failing to deliver significant positive results for the enterprises that undertake them.

THE IMPACT OF TRANSFORMATION AND PROCESS MANAGEMENT INTEGRATION

The first objective of our analysis was to determine if the integration of transformation and process management initiatives would, therefore, yield benefits to either or both of the efforts. We found that such an integration did, in fact, deliver positive impacts to those organizations that took this approach.

It should be noted, however, that there was little quantitative data to validate these outcomes. This gap is indicative of that fact that most organizations were not attempting to quantifiably measure the outcomes of their transformation or process management efforts at all, let alone the benefits of their integration. The benefits realized, therefore, were qualitative and anecdotal.

Nevertheless, we found significant consistency in these qualitative benefits.

“One of the key services we have [is shared between] thirty or forty organizations, and in this process we had quite a lot of exceptions. [We were able to] harmonize, get more efficient... and get much more clarity in this area.”

— Sr. Manager, Globally diversified electronics company

TRANSPARENCY & CROSS-FUNCTIONAL EFFICIENCY

The two most significant benefits realized by organizations who had integrated their efforts were transparency and cross-functional efficiency. We found that both initiatives within organizations struggled to achieve the

necessary transparency on their own.

Process management efforts often had trouble bringing together all impacted parties to understand what was really happening. And while transformation efforts often brought teams together, they often lacked the ability to get deep enough into functional operations at a process level to see the connections.

Bringing these efforts together created the level of deep transparency that was necessary for both efforts to benefit. And the primary benefit of this transparency was often increased cross-functional efficiency that the organizations would have not otherwise realized.

CUSTOMER EXPERIENCE

Beyond efficiency gains, however, another primary benefit was the improvement of the customer experience. This benefit was often most important to transformational efforts, as experiential improvement was often one of the chief business value drivers of those initiatives.

Interestingly, the transparency and efficiency gains were the enablers of this more business-focused benefit. The ability to identify cross-functional gaps or inefficiencies — and then close them — often resulted in a direct positive impact to the customer either through reduced service times, fewer delivery issues, or simply better visibility into the state of their transaction.



OTHER POSITIVE IMPACTS

Finally, the integration of transformation and process management efforts yielded a host of other, more tangential benefits. This included things like greater awareness between functional teams and improvements to the employee experience (in the same way that transparency and efficiency enabled customer experience improvements.)

One of the more interesting additional benefits, however, was the impact on future transformational efforts. We were told several stories of how the initial success and positive impacts realized through the integration of these efforts made previously resistant team members more open-minded about future change efforts.

Once we understood that the integration of transformation and process management efforts delivered benefits to the enterprise, we wanted to deconstruct what it was that led to those benefits.

These drivers of positive impact came down to two primary categories, however, there were a few additional nuances worth noting.

“Not only do we have folks within process management, we also have folks within customer experience. And we also have actual program management folks like project managers. So [the integration] becomes the foundational support upon which those groups can collaborate in a consistent way.”

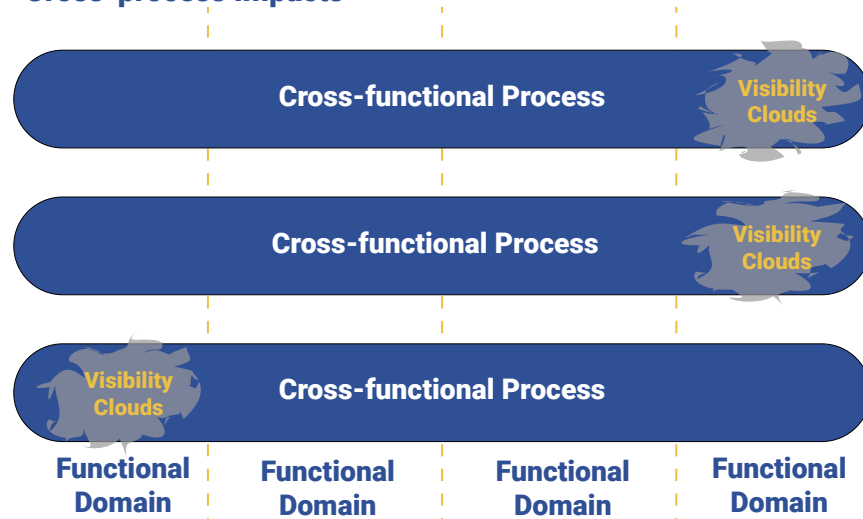
— Manager, Multinational communications company

CROSS-PROCESS VISIBILITY

The first driver of impact was the ability to gain deep, cross-process visibility. As organizations have grown increasingly complex, distributed, and functionally-aligned they have also become more isolated.

Even as organizations have increased their level automation, much of the underlying business processes have remained relatively isolated. Process development, management, and maintenance is largely handled at a functional level creating what we called *visibility clouds*, which obscures the cross-functional impact as changes to processes occur. In short, functional teams have little visibility into the downstream or upstream impact of process changes within the process itself or to other processes.

Visibility Clouds Obscure Cross-functional and Cross-process Impacts



This lack of visibility hindered both transformation and process efforts. Integrating the efforts, therefore, provided immediate value to both. “When we really modeled [the process] end-to-end, for example, we found that one department changed functionality and there was an impact on another unit,” explained a senior IT officer for architecture at an international bank. “But we couldn’t see these special dependencies and worse, people didn’t know about the impact, which caused other impacts to be missed too.”

Simply creating visibility to the cross-process and cross-functional impact of changes was a significant driver of integration benefits. It was also important to note that it was the process management domain that provided the most direct access to this visibility.

CROSS-FUNCTIONAL TEAMS

A significant enabler of the cross-process visibility was the mere formation of cross-functional teams. Bringing teams together from across the enterprise was the action that opened the door to gap discovery.

We found that the reason cross-process and cross-functional visibility is such a challenge is that while enterprise leaders inherently understand that a visibility gap exists, they often did not know where to look to begin to create transparency. Bringing cross-functional teams together under an improvement mandate opened the door to discussions that readily identified the gaps and gave teams directional guidance as they proceeded.

It is noteworthy that it was often the transformational efforts that were the impetus to the formation of these cross-functional teams and that the strategic and critical nature of these efforts empowered teams to dig deep enough to identify gaps and opportunities.

ADDITIONAL NOTES: POWER IN THE BALANCE AND THE LACK OF QUANTIFIABLE DATA

While we have already noted this in both of the above sections, it is worth highlighting that transformation and process management efforts each powered one of the two primary drivers of integration benefit. The overarching power of the integration came in the form of a balance between the two efforts.

The other important note is that we found very limited cases in which organizations were collecting any quantifiable data about their respective efforts — let alone data on the benefits of integration. We believe that this represents a significant gap and opportunity. While it was limited, those organizations that were tracking quantifiable data demonstrated significant financial and customer experience benefits. We have no reason to believe that these results would not be similar in other organizations.



Once we understood the impact realized through integration and the actions that delivered it, we sought understand how organizations created the environment that led to those actions.

We identified five characteristics that were essential to putting organizations on the road to achieving these results through the integration of their transformation and process management efforts. In addition, we identified three essential enablers to those characteristics, and one somewhat surprising element.

FIVE ESSENTIAL CHARACTERISTICS



THE CRITICAL ENABLERS

Beyond these five essential characteristics, however, we also identified three critical enablers that played a notable role in ensuring that the organization would create the environment necessary for a successful integration and would deliver a positive impact.

Those three enablers are:

Linking Integration to Business Drivers

In most cases, integration advocates laid the groundwork for success by linking the integration of efforts to critical and strategic business drivers. In many cases, those drivers were already linked to the transformation efforts.

Personal Relationships

The ability to cross the functional and political divides necessary to establish an integration between efforts was almost always enabled by one or more personal relationships between the executives responsible for the respective efforts.

Bottoms-up Buy-in

Despite the fact that management support was one of the essential characteristics that led to successful integration efforts, support among the actual program participants was a critical enabler of their eventual success and most successful efforts took deliberate steps to build this support.

THE LIMITED IMPACT OF RESISTANCE

The final element on the road to success was somewhat surprising: the role of resistance.

As might be expected, resistance to the integration of efforts was common. The surprising factor, however, was that this resistance was often short-lived.

Organizations reported that it was typically fear of wasted efforts or crossing political boundaries that caused this fear. However, they also reported that inclusiveness and identifying some rapid wins typically overcame any initial resistance.

Furthermore, we found that the absence of resistance was not synonymous with overt or exuberant support for the integration efforts. Nevertheless, we found that overt support was not necessary for the success of the integration efforts and did not represent latent resistance.

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CONCLUSION

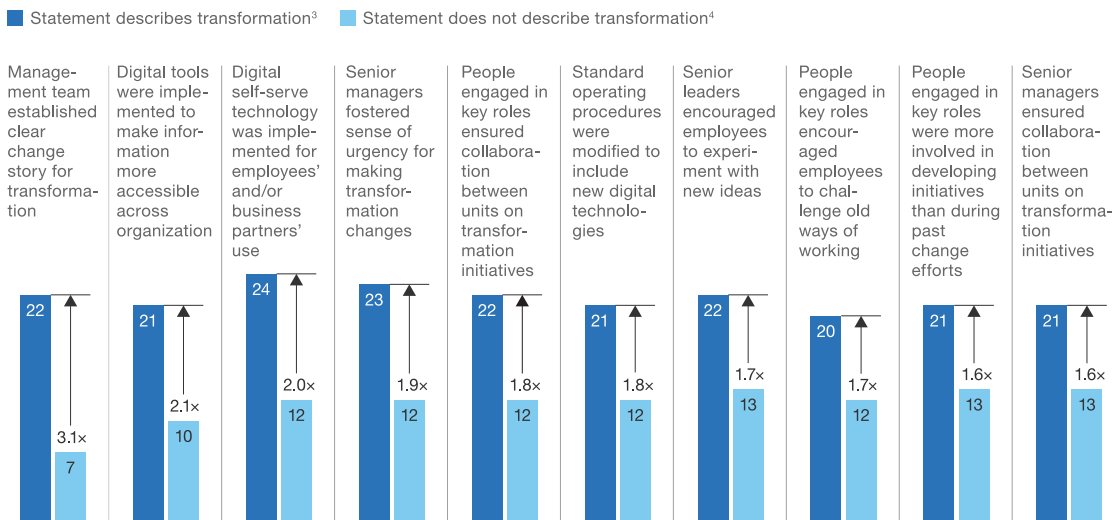
The results of our research indicated that organizations stand to realize significant benefits from integrating their often in-flight transformation and process management efforts — and that they will encounter little risk or downside in doing so.

It is likely that many organizations already have these efforts under way and staffed by teams well-versed in their respective disciplines. However, these teams are also likely to be encountering a number of challenges that encumber their efforts. Bringing these teams together in a cross-functional and cross-process way seems to enable each team to leverage the perspectives and unique capabilities of their respective counterparts to overcome their own challenges with little increased overhead or burden.

These findings align with the evidence-based research of secondary sources that we conducted.

For instance, McKinsey's most recent report on digital transformation success identified several success factors that correlate with these findings:

Success rate of digital transformations,¹ by key factors,² % of respondents



Likewise, the Deming forum identified several steps that process management teams could take to improve the success rate of process management efforts. These steps also align to our findings.

Among others, their recommendations included:

- Having sufficient management support
- Linking efforts to the company vision and strategic initiatives
- Identifying quick wins, but maintaining focus on the overall objectives



In summary, organizations seem to have everything to gain and almost nothing to lose by integrating their transformation and process management initiatives. Doing so will naturally create visibility and transparency that will deliver improved efficiency, better customer experiences, and lay the groundwork for future transformation efforts.


Moreover, successful integration efforts not only deliver benefits beyond their respective initiatives, but also increase the impact of the initiatives themselves. And, as the characteristics of success demonstrated, achieving these benefits requires little investment beyond a recognition of the need for change, and management support.

Sources:

¹ "We Have a Bewildering Array of Improvement Tools - Why Aren't We Getting Any Better?" Process Excellence Network, <https://www.processexcellencenetwork.com/innovation/podcasts/we-have-a-bewildering-array-of-improvement-tools-w>

² "Unlocking success in digital transformations." McKinsey, October 29, 2018, <https://www.mckinsey.com/business-functions/organization/our-insights/unlocking-success-in-digital-transformations>

³ "Why are 70% of all Process Improvement Projects Failing?" Operational Excellence Society, <https://opexsociety.org/body-of-knowledge/why-are-70-of-all-process-improvement-projects-failing/>



OUR

METHODOLOGY

The goal of our research was to understand the specific elements that led to the integration of transformational and process management efforts, the impacts such integrations had on the organization and on the respective efforts whether or not those impacts could be or had been measured, why organizations sought to integrate them, and how they elected to do so. Because of the exploratory nature of this research, we elected to conduct it combining evidence-based secondary research and in-depth qualitative interviews.

Interviews were conducted between April 16, 2020 and May 1, 2020 with enterprise managers who, at the time of the interview, were customers of iGrafx. Potential interviewees were selected based on the fact that they had active process management efforts underway. Interviews lasted approximately thirty minutes each and were conducted via an online web conferencing system.

The interviews were transcribed and analyzed using a combination of content and thematic analysis. This involved coding all data before identifying the key themes that represented the participants' experience with efforts to integrate transformation and process management efforts. Those themes were then further analyzed to determine the structured findings presented in this report.

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iGrafx believes that process is at the center of everything, and helps the largest, most complex enterprises around the world convert their business processes into a portfolio of valuable assets.

The iGrafx Business Transformation Platform is the world's most comprehensive, supporting RPA and workflow automation, customer journey, governance, risk, compliance, and more, as well as SaaS and private cloud deployment. It's also the most scalable, currently accommodating the largest, global enterprise requirements. iGrafx possesses and shares 400+ years of process passion.

For more information, please visit: <https://www.igrafx.com>

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